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**ISRAEL BACKS DOWN ON THREAT TO ARREST PALESTINIANS AFTER U.S. INTERVENES**

By David Landau

JERUSALEM, June 21 (JTA) -- The United States intervened with Israel and the Palestinians over the weekend to avoid inflammatory acts that could derail the peace talks that began last October in Madrid.

As a result, Israel has backed off from its threat to arrest key Palestinian negotiators who met in Jordan on Thursday with Palestine Liberation Organization chief Yasir Arafat.

But Prime Minister Yitzhak Shamir told the Cabinet on Sunday that Israel would "take account" of these provocative meetings in its future dealings with Dr. Khaider Abdul Shafi, head of the Palestinian negotiating team, and his advisers, Faisal Hussein and Hanan Ashrawi.

The three Palestinian leaders were photographed in Amman kissing and embracing Arafat, in a scene calculated to give the impression that the people who are talking to Israel look upon Arafat as their leader.

Despite reports that the Palestinian negotiators have been in contact with Arafat previously, this was the first public meeting between them.

It was an affront to Israel, which has vowed never to negotiate with the PLO, directly or indirectly. It occurred the weekend before the Israeli national elections, in which Likud is locked in a neck-in-neck race with the rival Labor Party.

**Awkward Situation For Shamir**

Right-wing activists, Likud's core constituency, clamored for the arrest of the Palestinians the moment they set foot on Israeli soil, placing Shamir in a politically awkward situation.

On Sunday, Shamir promised that the Palestinian negotiators would be dealt with on their return to Israel in accordance with the law and with whatever procedures are prescribed by Attorney-General Yosef Harish.

Israeli law makes it a criminal offense to have contacts with a terrorist organization, as the PLO is categorized. Violators can face prison terms.

Government sources have made clear, however, that the Palestinians will probably be served summonses to appear before police investigators. "They won't be arrested, they'll be investigated," a police spokesperson said, leaving open the option of legal steps at a later date.

The sources indicated privately that the United States advised Israel not to exacerbate the affair by making arrests. It advised the three Palestinians not to cause further provocation by returning to Israel before the elections Tuesday.

Foreign Minister David Levy on Sunday praised the "unequivocal position" taken by the United States in the matter. He referred to a State Department statement Friday which reiterated the U.S. position that "the PLO is not part of the peace process."

Department spokesman Richard Boucher said the United States had "conveyed its concerns" over the meetings to the Palestinians.

Hussein, a resident of East Jerusalem, is barred by Israel from being part of the negotiat-

ing team. But many observers believe he is its de facto boss. Ashrawi, who lives in the West Bank, is not a member of the team but serves as its official spokeswoman.

Abdul Shafi, from the Gaza Strip, is the official head of the Palestinian contingent, which is itself part of a joint Jordanian-Palestinian negotiating panel engaged in periodic talks with Israel during the last nine months.

**ISRAELIS FEAR PICCO'S RESIGNATION SIGNALS LOWER PRIORITY FOR ARAD**  
By Hugh Orgel

TEL AVIV, June 21 (JTA) -- Israeli officials are upset over the resignation of Giandomenico Picco, the U.N. secretary general's special negotiator for hostage releases.

They fear his departure may signal a decision by the U.N. Secretariat to put a low priority on efforts to effect the release of Israeli air force navigator Ron Arad and obtain information about the fate of other Israeli servicemen missing in Lebanon.

Picco announced his resignation after helping secure the release last week of two German relief workers who were kidnapped and held hostage for three years by Shi'ite militants in Lebanon.

The two, who returned to Germany on Wednesday, were the last of nearly 100 American and European hostages freed by Arab or Moslem groups in recent years.

Picco said he was quitting for "personal reasons" and it is assumed he plans to enter private business in his native Italy.

But Israelis sense the determining factor was his disagreements with his boss, U.N. Secretary General Boutros Boutros-Ghali, over future efforts to secure freedom for Arad.

The Israeli airman shot down over Lebanon in 1986, believed held by Shi'ite militants, is the only one of six missing Israelis presumed to be alive. But Israel also demands concrete proof of the fate of the others.

Israeli defense officials fear Picco's resignation will seriously hamper future negotiations.

Moreover, they say Picco's relations with Boutros-Ghali were less flexible than with his predecessor, Javier Perez de Cuellar, who often gave his hostage negotiator a free hand.

Boutros-Ghali, an Egyptian with personal and professional ties in the Middle East, tended to rein in Picco, Israeli officials say. The U.N. secretary general frequently brushed Picco aside and personally took over contacts with Arab and Moslem authorities who influenced the hostage situation, Israelis say.

Israel's chief hostage negotiator, Uri Lubrani, also expressed regret over Picco's resignation. He noted, however, that the United Nations is not the only body involved in hostage negotiations.

"Israel must now act on its own, as it has frequently done in the past," he said.

Meanwhile, Benjamin Navon, Israel's ambassador to Germany, will meet with the top political officer of Chancellor Helmut Kohl's office in Bonn this week.

He has been instructed to obtain clarification of that official's remark last week that he had information about Arad.

Meanwhile, Bernd Schmidbauer, a top aide to Kohl in charge of coordinating intelligence agencies, was making an angry but veiled rebuttal to rumors that Germany paid heavy ransom for the freedom of its kidnapped nationals, Heinrich Struebig and Thomas Kempfner.

Although he mentioned no party by name, he seemed to be holding Israel responsible for the rumors and for what he described as pressure on mediators who were negotiating to free the hostages.

Israeli newspapers have in fact claimed in recent days that Germany paid millions for the release of its kidnapped nationals.

Commenting on reports that Picco had resigned because of an alleged ransom payment by Germany, Schmidbauer said angrily that "Picco had to endure the same kind of pressure that was put on me."

Schmidbauer was directly involved in the hostage negotiations and flew to Damascus and then to Beirut to receive the hostages and escort them back to Germany.

Since then, Israeli sources have complained that there should have been coordination that would link the release of all the hostages, including Arad.

German sources, on the other hand, have gone out of their way to stress that Germany did all it could to persuade Moslem extremists in Lebanon and their Iranian mentors at least to make available information about Arad.

At the same time, however, they acknowledged that Germany's obligation to its own citizens came first.

Bonn also has denied emphatically rumors that it would grant pardons to Mohammad and Abbas Hamadi, Lebanese Shi'ite brothers serving prison sentences in Germany for terrorist acts, as quid pro quo for freeing Struebig and Kempfner.

But government sources did confirm last week that the brothers will soon be granted special privileges and would be confined to the same prison, which they have requested all along.

*(JTA correspondent David Kantor in Bonn contributed to this report.)*

#### **BLESSINGS AND RUMORS DO BRISK TRADE AS ISRAELI CAMPAIGN ENDS ON LOW NOTES** By David Landau

JERUSALEM, June 21 (JTA) -- With the campaign entering its last crucial lap before Tuesday's elections, Labor remained ahead of Likud in the polls by 5 to 8 Knesset seats--depending on which poll one read.

But as most Israelis know, the relative strength of the two major parties in Parliament will not decide which heads the next government. The determinant will be the size of the rival blocs of left and right, which throw their support to one or the other.

According to the latest polls, they were in a dead heat over the weekend.

Nevertheless, both Labor and Likud launched their final, do-or-die efforts to sway the voters before all campaigning ends officially at 7 p.m. local time Monday.

For Labor Party leader Yitzhak Rabin, the final spurt was by air. Using a chartered plane, he began to crisscross the country on Saturday night, to finish up Monday evening.

Prime Minister Yitzhak Shamir remained earthbound. His closing pitch was made after the weekly Cabinet meeting Sunday to friendly crowds

in south Tel Aviv, a traditional Likud stronghold.

All parties were screening their final television appeals Sunday night. Likud is calling on waverers to "return home" to close the gap the polls have been showing for the past few weeks.

Labor wants to keep that gap as wide as possible. It may have been helped by a poll published Sunday of Israel Defense Force reserve officers of senior rank.

By a margin of 70 percent, the IDF generals favor generous territorial concessions for peace.

The poll, commissioned by the Council for Peace and Security, was conducted by a leading polling organization. In addition to the IDF, the respondents included former senior officials of the Mossad, Israel's external intelligence agency, and the Shin Bet, its internal security service.

Meanwhile, accusations flew thick and fast between rival parties, who lodged complaints and counter-complaints with the chairman of the Central Elections Committee, Judge Avraham Halima, and with the police.

The leftist Meretz accused the strictly Orthodox parties of "importing" hundreds of identity cards belonging to Israeli citizens living abroad, with the intention of using them to vote Tuesday.

Israel does not have an absentee ballot and its expatriates must come home if they want to vote.

Meretz also accused the Orthodox Shas and the National Religious Party as well as Likud and Yitzhak Moda'i's New Liberals of bribing Arab voters with cash handouts and promises of benefits in return for their votes.

In the ultra-Orthodox camp, the United Torah Front is casually circumventing the law that forbids trading blessings for votes.

Instead, it is offering "prayers of the tzaddikim," (sages) which the pious consider one and the same. The Torah Front reported a brisk "trade" in signed commitments.

Rabbis of the strictly Orthodox Sephardic Shas party are reportedly granting "absolution" to entice the faithful who have pledged their support to the rival Ashkenazic Orthodox list.

#### **E.C. POSTPONES VOTE ON AID TO SYRIA** By Yossi Lempkowicz

BRUSSELS, June 21 (JTA) -- The European Parliament has postponed discussion of a proposed \$200 million aid package to Syria until the fall.

The package had been rejected in January, after the legislative body accused Syria of widespread human rights violations.

But the parliament's Commission on Development and Cooperation voted 15-8 earlier this month to bring the aid package to last week's Parliament meeting.

Informed sources said the decision to resurrect the aid package reflected in part the recent announcement that Syria had begun to let Jews leave the country.

When Jewish groups learned that the Syrian aid package was up for reconsideration, they quickly sent letters and faxes to leaders of the European Community and member nations, arguing that Syria had yet to demonstrate convincingly that it had reformed its human rights record.

A European Parliament spokesman said the Parliament decided to postpone consideration of the aid until the next scheduled session this fall at the demand of a British deputy, James Moorhouse.

## SOVIET JEWRY ADVOCATES SUPPORT BUSH ON GRANTING NEW STATUS FOR RUSSIA

By Larry Yudelson

NEW YORK, June 21 (JTA) -- At the White House dinner held for Russian President Boris Yeltsin on Tuesday, Pamela Cohen was the sole representative of a human rights group or Jewish organization on a guest list made up largely of business executives.

But the national president of the Union of Councils for Soviet Jews said she did not feel out of place among the corporate presidents pushing for increased U.S. trade with the republics of the former Soviet Union.

Like the business leaders, advocates for Soviet Jewry applaud the administration for granting most favored nation trading status to Russia. And the Jewish community is part of a broad coalition working for the aid package for which Yeltsin appealed to Congress.

At the same time, said Cohen, both the Jewish and business communities remain concerned about human rights in Russia and the other republics.

"Every single businessman I spoke to understands that human rights and the rule of law go hand in hand," said Cohen.

Soviet Jewry advocates fear that Jewish emigration could stop suddenly if the right to leave is not codified into law. This fear is paralleled by that of American business executives who worry that they will be unable to collect from their investments unless a legal structure for capitalism is set up.

"There has been a demise of communism, a change of power. But the totalitarian system still exists. This is a revolution in progress, not a revolution that has been successful or completed," said Cohen.

### Aid To Russia Is A Good Investment

Jewish groups believe that massive aid to Russia now is an excellent investment, to counteract potential anarchy.

"We believe economic stability is the key to providing a stable future for the Jewish community that remains there," said Martin Wenick, executive director of the National Conference on Soviet Jewry.

Both Wenick's and Cohen's groups voiced approval of President Bush's decision to grant most favored nation status to Russia, which will greatly improve Russia's ability to trade with the United States.

This status could only be granted after Bush certified that Russia had provided for free emigration, thus waiving the restrictions of the 1975 Jackson-Vanik Amendment, which ties trade with what was the Soviet Union to a free emigration policy.

But both Soviet Jewry groups remain opposed to requests to repeal Jackson-Vanik altogether, or grant a multi-year waiver.

"For the time being, since there continues to be some problems with emigration, and the legal and bureaucratic systems have not totally reformed, it's best to leave the situation where it is," said Wenick.

Prior to Yeltsin's arrival in Washington, Wenick, along with the National Conference Chairman Shoshana Cardin, met with senior Russian Embassy officials in Washington.

They discussed the issues on the Jewish agenda, in particular the need for continued

reform and the need to address intolerance and anti-Semitism in the former Soviet Union.

"I was a little disappointed in (Yeltsin's) remarks in Congress, which were very specific in committing to continue reforming, but there wasn't a mention of the questions of intolerance, including anti-Semitism," said Wenick.

The threat the present situation poses to both business and human-rights interest is epitomized, according to the Union of Councils, by the case of Mark Glizer.

Glizer, who is Jewish, was sentenced to five years of hard labor on June 5 for the "economic crime" of "speculation."

The prosecution charged that Glizer had assisted in helping a friend sell a car.

In part, the prosecution reflected the old, anti-capitalist thinking of the communist regime, said Micah Naftalin, national director of the Union of Councils.

He pointed out that most of the judicial system of the Soviet Union remains intact in present Russia.

Naftalin said he believes anti-Semitism did play some role in the case.

"In selecting people to prosecute, all too often they select Jews," he said.

The Union of Councils is assisting with an appeal of the case.

Cohen said this case highlights the need to continue paying attention to the situation in the former Soviet Union.

"The tragedy is the Russian liberals in government recognize that the questions of democracy are much more questionable, are much less clear, are of greater concern than does the American public, and especially the American Jewish public. (The Russians) are quick to say be active, be vigilant," she said.

## EXPLOSION AT DEFENSE PLANT KILLS TWO, AUTHORITIES CALL IT TECHNICAL FAILURE

By Hugh Orgel

TEL AVIV, June 21 (JTA) -- An explosion at a defense plant Sunday morning killed two workers and injured five others, two of them critically.

The blast that ripped through a factory of Israel Military Industries in central Israel, shaking houses for miles around, was initially classified as a technical failure or "work accident."

The two most seriously injured victims were rushed to the government's Sheba Hospital at Tel Hashomer. One of the men had burns over 95 percent of his body and the other was 60 percent burned. Hospital sources said they may not live.

The lesser injured were taken to Assaf Harofe Hospital in Tzrifin, where two were reported released and sent home Sunday afternoon.

IMI, a government-owned enterprise, appointed a committee of ranking executives and outside experts to investigate the tragedy.

Coincidentally, the government's finance committee was scheduled Sunday to discuss the recommendations of a commission which investigated a fatal accident at a similar IMI plant two years ago.

The commission proposed that all IMI installations be classified as high risk and moved from populated parts of the country to isolated sites in the Negev.

The cost of moving has been estimated at between \$500 and \$700 million. Debate on the proposal was postponed until after the elections.

**THE ISRAELI ELECTIONS:  
THIS TIME, THE BALANCE OF POWER  
MAY NOT REST WITH ORTHODOX ALONE**  
[Part 5 of a Series]  
By David Landau

JERUSALEM (JTA) -- After the 1988 elections and again after the fall of the Labor-Likud unity government in 1990, a wave of indignation swept much of Israel at the spectacle of "aged rabbis" dictating the composition and policies of the government.

In part, this reaction reflected deep-seated resentment felt toward the haredim, or ultra-Orthodox, especially over the touchy issue of military service deferments for yeshiva students.

But there was also a genuine feeling that something was basically flawed in Israel's democracy if, at the end of the day, it was essentially the undemocratic haredi parties, where decisions are made not by votes but by rabbinical fiat, that held the balance of power.

While that criticism was valid enough, it tended to ignore that the haredim's power stemmed then, and still stems now, not from any nefarious conspiracy but rather from the fact that among the smaller parties, only the Orthodox ones were genuinely "in the middle" between the Big Two, Labor and Likud.

The haredim, in other words, represented the only real "swing vote" in Israeli party politics. All other factions voted into the 12th Knesset were committed to supporting either Labor or Likud.

In 1992, this is still very much the case in regard to the haredim, especially in regard to the Sephardic Orthodox party Shas. While the party has cast its fortunes with Likud of late, its spiritual leader, Rabbi Ovadia Yosef, is a political dove who has long wanted to side with Labor.

But what might be a new and complicating element in next week's elections is the possible emergence of more "swing vote" parties, that is, parties that have not pledged allegiance in advance to either Labor or Likud.

Many of the new parties running June 23 are not aligned to either of the Big Two. But probably only two or three of them at most can be said to have any real chance of making it past the 1.5 percent of the vote threshold required to win a Knesset seat. They include:

**THE NEW LIBERAL PARTY.** Led by Finance Minister Yitzhak Modai and Herzliya Mayor Eli Landau, this party has begun to show up in the polls recently. And, with vast amounts of cash in its coffers, the party is making a massive publicity surge as the finishing line approaches.

The platform focuses almost exclusively on economics, with Modai and Landau urging a national referendum on the land-for-peace issue. They have made it clear that they are prepared to go into a coalition with either side, provided the terms are right.

**YAD B'YAD.** This party of pensioners, immigrants and senior citizens is also ready to team up with either side. It is led by former diplomat Abba Geffen, who ran in 1988 as a pensioners party and almost won a Knesset seat. Now, teamed up with Soviet immigrant groups, he may have a chance of squeezing in.

If these two parties do, in fact, make it and especially if they make it with two seats each--as will most parties that cross the 1.5 percent threshold -- they will become the natural targets of all the wooing and blandishments that the Big

Two lavished on the Orthodox parties last time around.

**HATIKVAH.** This is a third small party with a chance of making it. It teams up veteran Knesset member Charlie Biton, a leftist former Black Panther, with religious women's activist Leah Shakkdiel. While the party has not made the opinion polls yet, its activists are canvassing energetically among immigrants and low-income Israelis.

Meanwhile, the haredim have streamlined from three to two parties, with Agudat Yisrael and Degel HaTorah now running on one list. They have also sharpened the differences between them, as evidenced by Ashkenazic sage Rabbi Eliezer Schach's sharp attack on "Sephardic religious leaders who are not mature enough to lead."

The two haredi parties running are:

**THE UNITED TORAH JUDAISM PARTY.** It comprises the two rival Ashkenazic groups, Agudat Yisrael and Degel HaTorah, plus Rabbi Yitzhak Peretz, the current absorption minister, who broke away from Shas in 1990.

The combined party is unlikely to achieve the eight seats Agudah and Degel together hold in the present Knesset. Agudah won five last time, thanks to energetic campaigning on its behalf by the Chabad movement of Lubavitcher Hasidim, which was at odds with Schach of Degel HaTorah.

Pundits predict a net loss of three or even four seats. While this would represent a certain loss of influence in a new government, the party would still be a force to reckon with in the coalition-building process, where every vote may count.

**SHAS.** The Sephardic party is dubbed "the big enigma" by pundits, who are wary of opinion polls when it comes to estimating trends among the haredim.

It is unclear, for instance, whether the ongoing police investigation of alleged fiscal mismanagement by Interior Minister Arye Deri and other Shas officials will help or hinder the party.

In its election propaganda, Shas projects itself as the victim of anti-Sephardic prejudice. The fact that after nearly two years, no charge have been brought against Deri speaks in its favor.

Shas won five seats last time and was whisker away from a sixth. Any slippage now is bound to be interpreted as the beginning of the waning of this most successful Israeli ethnic party to date.

**EL AL TO FLY TO CHINA IN SEPTEMBER**  
By Hugh Orgel

TEL AVIV, June 21 (JTA) -- Israel's national air line, El Al, will begin direct flights to China on Sept. 3, the Israeli Transport Ministry announced.

At first, the service will be categorized as charter. It will go to regular service as soon as China Air, the Chinese national carrier, introduces its own flights to Tel Aviv on the basis of an interline agreement.

El Al has begun selling round-trip tickets to Beijing at an introductory offer of \$1,487. Ten 10-12-hour non-stop flights will depart Ben Gurion Airport every Thursday evening and return Saturday nights.

The planes will fly mainly over the former Soviet Union.

El Al hopes to increase the frequency from one to three flights weekly in the next three years.